

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6756

BILL NUMBER: SB 243

NOTE PREPARED: Jan 1, 2011

BILL AMENDED:

SUBJECT: Common Construction Wage on School Projects.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: From July 1, 2011, to June 30, 2015, the bill exempts contractors awarded construction contracts by school corporations from the requirement of paying laborers at least the common construction wage.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues: If, as studies have shown, common wage requirements increase the costs of labor, then lower wages due to the exemption may decrease state income tax collections (assuming no increase in employment levels). A decrease in wages could result in a decrease in consumption which would decrease sales tax revenue. The specific impact is indeterminable.

Explanation of Local Expenditures: The impact of the exemption from the common construction wage law is expected to vary by school project. Although a number of studies suggest that wage determination provisions generally increase the labor cost of public works projects from 5% to 16%, and exemption from this wage determination provision might reduce expenditures, the precise impact of the change cannot be determined.

Some studies argue for prevailing wage-type systems on the grounds that they lead to greater efficiency, quality, and safety by providing for a stable, well-trained labor force. If such benefits were not realized, school corporations could realize an increase in cost in the long run. Unfortunately, data limitations and questionable methodology limit the conclusiveness of many studies on prevailing wage laws.

If expenditures are reduced, additional impacts to school corporations might include the following:

- Debt incurred to finance projects could decrease due to lower project costs, reducing bonding or property taxes.
- Funds may be available for other public works projects that would have been required for the project. Similarly, capital expenses could be reduced, making more funding available for noncapital expenses in project budgets.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: School corporations.

Information Sources:

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